

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02 PA-02

PRS-01 /097 W

-----031653 130183 /43

R 030848Z MAR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5850

TREASURY DEPT WASHDC

UNCLAS TOKYO 2978

PASS FRB AND CEA

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: BANK OF JAPAN DISCOUNT RATE

1. SUMMARY: BOJ GOV MORINAGA AND PM FUKUDA SOUND POSITIVE ABOUT POSSIBILITY OF OFFICIAL DISCOUNT RATE CUT. END SUMMARY.

2. IN HIS REGULARLY SCHEDULED PRESS CONFERENCE WED, MAR 2, BANK OF JAPAN GOV MORINAGA SIGNALLED HIS INTENTION TO CONSULT WITH PM FUKUDA ABOUT A POSSIBLE DISCOUNT RATE CUT BEFORE THE LATTER'S MEETING WITH PRESIDENT CARTER. SOME PRESS HAVE CONCLUDED FROM MORINAGA'S STATEMENTS THAT RATE CUT IS TO BE EXPECTED BEFORE THE PM'S DEPARTURE, EVEN GOING SO FAR AS TO PUT CUT AT 0.5 PERCENT (TO 6 PERCENT).

2. TRANSCRIPT OF MORINAGA PRESS CONFERENCE NOT AVAILABLE, BUT MORINAGA REPORTEDLY REITERATED HIS EARLIER STATEMENTS SHOWING FLEXIBILITY ABOUT SIMULTANEOUS CUT IN POLITICALLY SENSITIVE RATES ON POSTAL AND OTHER SAVINGS DEPOSITS, ALTHOUGH HE IMPLIED HE WOULD ALSO BE DISCUSSING THIS MATTER WITH PM. HE ALSO HEDGED HIS POSITION BY INDICATING THAT WHAT
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COMES OUT OF BUDGET COMMITTEE DELIBERATIONS ON THE FY 77 BUDGET MARCH 7-8, AS WELL AS OTHER ECONOMIC DEVELOPMENTS, WOULD BEAR ON DISCOUNT RATE DECISION. MORINAGA DID NOT REPEAT NOT INDICATE PROSPECTIVE MAGNITUDE OF ANY CHANGE. EARLIER PRESS REPORTS THAT BOJ FELT THAT IF MOVE WAS MADE IT SHOULD BE (AT LEAST) 0.5 PERCENT (TO BE EFFECTIVE) MAY HAVE BEEN BASIS FOR CURRENT PRESS CONCLUSION ON

MAGNITUDE OF CUT.

3. ON SAME SUBJECT, TRANSCRIPT HAS NOW BECOME AVAILABLE OF NHK TV INTERVIEW OF PM FUKUDA ON FEB 25. IN RESPONSE TO SUGGESTION THAT OFFICIAL DISCOUNT RATE CUT IS NECESSARY FOR DOMESTIC REASONS, PM SAID THAT NOT ONLY DOMESTIC ECONOMIC CONDITIONS BUT ALSO INTL ASPECTS SHOULD BE CONSIDERED WHEN CONSIDERING OFFICIAL DISCOUNT RATE CUT PROBLEMS. HE OBSERVED THAT FOREIGNERS' PURCHASES OF JAPANESE SECURITIES (ALTHOUGH NOT EXTREMELY HEAVY AT PRESENT) HAVE CONTRIBUTED TO INCREASES IN JAPAN'S FOREIGN EXCHANGE RESERVES EXCEEDING SURPLUSES IN FOREIGN TRADE RELATED TRANSACTIONS. HE OPINED IT WAS NOT A HEALTHY SITUATION FOR U.S. DOLLARS TO BE PILING UP IN JAPAN IN THIS MANNER. NOTING THAT OFFICIAL DISCOUNT RATES IN THE U.S. AND W. GERMANY (WHICH ARE ALONG WITH JAPAN DESCRIBED AS LOCOMOTIVES TO LEAD RECOVERY OF THE WORLD ECONOMY) ARE LOWER THAN THE DISCOUNT RATE IN JAPAN, HE WONDERED WHY INTEREST RATES IN JAPAN HAD NOT MOVED IN PARALLEL WITH THOSE IN THE U.S. OR W. GERMANY.
SHOESMITH

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Message Attributes

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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 03-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Format: TEL
From: TOKYO
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770394/aaaadvh.tel
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Litigation History:
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Original Previous Classification: n/a
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3213692
Secure: OPEN
Status: NATIVE
Subject: BANK OF JAPAN DISCOUNT RATE
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
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